



CHEMONICS INTERNATIONAL INC.

**Peru Increasing Microfinance for the Poor Activity  
SEGIR Financial Services IQC  
OUT-PCE-I-00-99-00007-00, Task Order 812**

**Quarterly Performance Report No. 4**

**April 1, 2003 – June 30, 2003**

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July 31, 2003

**APRIL – JUNE 2003  
QUARTERLY REPORT**

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**SEGIR Financial Services/Peru IMPACT**

Under the Financial Services Indefinite Quantity Contract (IQC), on June 19, 2002 the Chemonics consortium was awarded a task order to provide financial services in support of the “Increasing Microfinance for the Poor Activity” (IMPACT) in Peru (Contract No. OUT-PCE-I-00-99-0000-700, Task Order 812). The contract is being implemented by Chemonics International Inc., as the lead firm, and Ohio State University, Shorebank Advisory Services, J.E. Austin Associates, and International Consulting Consortium as subcontractors. The duration of the task order is about two years, during which time we anticipate contracting consultants to deliver technical assistance to improve the quality of performance of Peru's microfinance institutions and their financial and regulatory environment. The assignments, as conceived by USAID, are divided into intensive, focused, and quick technical assistance services. Intensive assignments are structured to work with a client periodically over about nine months (MITA); focused assignments will be shorter and more precise in nature, lasting about a month (FTA); and the latter (quick) is contemplated to be a week in duration and include diagnostics, training courses, lectures and interviews, market research, focus groups, and interviewing key policy makers (QTA). The subject matter will vary, but will include: credit technology, new product development (credit and savings), new financial services (insurance, housing, money transfers), management information systems, governance structures, mergers and strategy, regulation and supervision, prudential norms, expanding credit reference systems, and creating second tier funding mechanisms.

This report summarizes Chemonics/IMPACT's activities during its fourth quarter, describes any problems which have arisen during implementation, outlines solutions to problems and presents a preview of the activities to be undertaken during the next quarter. It also contains a summary of level of effort and expenditures, by quarter and cumulative through the life of the project.

**A. Activities During the Quarter**

This section presents an overview of the quarter's technical accomplishments, deliverables submitted and consortium management.

**A1. Technical Accomplishments**

During this fourth quarter of the task order, Chemonics continued close communications with COPEME and USAID to coordinate several successful short-term assignments, including continuation of the PRISMA activity, developing and implementing a work plan to upgrade the management information system of CMAC Maynas, and designing and delivering a “Tecnoferia” to showcase innovative technology solutions for microfinance.

The following is a summary of the consultancies that took place during this quarter.

### **A1a. PRISMA Financial and Operational Governance (MITA)**

During this quarter activities were conducted to provide technical assistance to PRISMA. Gonzalo Puente has been contracted for this assignment since September 2002, and during this quarter he undertook a fourth trip to Peru. Mr. Puente continued his work with PRISMA's board of directors to discuss the organization's strategic plan and evaluate particular achievements and pending issues from recent months.

During the trip, Mr. Puente spent time with PRISMA management conducting a detailed review of numerous processes and procedures. He guided the board in an analysis of outstanding issues including internal control, organizational structure, and human resource allocation. Mr. Puente also assisted in modifying the financial projects program, credit manuals, and management reports previously elaborated or partially elaborated by the board. In addition, he reviewed final reports presented by various microcredit consultancies and verified the progress to date of various consultancies. Mr. Puente held his first formal deliberations with the newly appointed Manager of Finance and Administration. Finally, he conducted a pair of field visits in order to survey a pilot credit project at the Huancayo branch office as well as the management operations at the Tarapoto office.

In addition to his trip report detailing the activities he undertook as well as his conclusions and recommendations, Mr. Puente also produced the following deliverables through considerable collaboration with PRISMA management:

- Credit Manual
- As part of the Credit Advisory Manual: tool to perform monitoring and evaluation of prospective clients
- Table of contents for the Organization and Functions Manual
- Revisions for credit evaluation forms
- Format for financial monitoring chart

Mr. Puente lauded the considerable advances in PRISMA's institutional development, he iterated the importance, however, of intensified coordination among management at the central and branch levels. Mr. Puente's final trip is programmed for the following quarter.

### **A1b. Caja Municipal de Ahorro y Credito (CMAC) Maynas: MIS Overhaul (MITA)**

During the quarter activities were conducted to support CMAC Maynas in the evaluation of its management information system (MIS) and selection of a new MIS vendor. Laura Frederick has been contracted for the assignment since January 2003, and during this quarter she made two trips to Peru to work with CMAC Maynas. The specific purpose of these trips was to assist CMAC Maynas in reviewing vendor proposals for either a custom product or a commercially available option suited to their needs, and then to finalize the selection of a vendor. The vendors solicited for proposal included three (3) commercial vendors, four (4) local custom software developers, and a university team for an in-house proposal.

During her first trip, Ms. Frederick worked with the staff of CMAC Maynas to review the three commercial software applications and become familiar with the vendors behind each application.

The three vendors – Microbanx, Temenos, and Sysde – appeared and presented their products in individual day-long sessions. As follow-on to these presentations, Ms. Frederick worked with the staff of CMAC Maynas to articulate and process their initial impressions of the different products, establish steps for gathering additional information about the products, and consider funding issues for the eventual purchase of software. Ms. Frederick assisted the staff in developing a three-week plan with the following objectives: reviewing the proposals received; interviewing other institutions using these three commercial products to gain their impressions about their product, vendor, and implementation process; fielding inquiries from vendors; and creating a tool for cost/benefit analysis of the proposals.

Based on these achievements in the first trip, the objectives of Ms. Frederick's second visit were to assist CMAC Maynas in making a final strategic decision – to buy a commercial option or build a custom application – and then select the vendor from which to request a best and final proposal. Upon arrival for the assignment, however, Ms. Frederick was compelled to revise the decision-making timeline because CMAC Maynas required additional time to complete its proposal reviews and resolve an internal stalemate over the key question of buying versus building (Note: CMAC Maynas experienced considerable turnover at the managerial and directorial levels since Ms. Frederick's previous visit, which hindered its ability to adhere to the project schedule.) In addition to revising the project timeline, Ms. Frederick guided CMAC Maynas through a cursory review of the proposals in-hand, while also agreeing to perform a database comparison and create a project summary and analysis of options.

Next quarter it is hoped that CMAC Maynas will reach a decision regarding the build versus buy option for the management information system. Based on the decision, the project will either terminate Ms. Frederick's contract or authorize her to finish delivering the assistance originally contemplated.

### **A1c. Tecnoferia 2003**

On June 25 and 26, Chemonics helped COPEME and USAID/Peru host the "Tecnoferia 2003," a conference designed to expose Peruvian MFIs to cutting-edge technologies including portfolio management software, palm pilots, ATMs and credit scoring. Chemonics contracted Laura Frederick to design, organize and coordinate the event with the objective of demonstrating to Peruvian MFIs how technology can help improve efficiency, expand client outreach and improve customer satisfaction.

With guidance and logistical support from Ms. Frederick, COPEME identified and contacted 14 institutions and experts from around Latin America to present their experiences with a variety of technologies. COPEME also brought in 7 vendors to demonstrate their products to participants, both in regular sessions as well as in an exhibition hall. Ms. Frederick facilitated all aspects of the conference including question and answer sessions, openings and conclusions, and a round-table discussion on connectivity.

The event drew nearly 100 participants from around Peru as well as other countries in the region. In addition to hearing presentations from institutions and vendors, Tecnoferia participants had the opportunity to view product demonstrations in the exhibition hall and speak one-on-one with other IT managers about their experiences with new technologies. As a result, many

microfinance institutions came away from the Tecnoferia with a better understanding of both the operational and economic impacts of incorporating new software and hardware products into their existing management information systems.

As a result of the Tecnoferia, USAID/Peru and COPEME have already begun to receive demand from local institutions for additional IT trainings as well as technical assistance to evaluate and upgrade existing systems.

## **A2. Deliverables Submitted**

During this quarter the following deliverables were submitted to USAID/Peru and COPEME:

- “Consolidación de Cambios de Gestión, Tecnología crediticia y Gobernabilidad para un Crecimiento Sostenible, Informe Cuarta Visita,” Gonzalo Puente
- “Trip Report April 6 to 11 2003, CMAC/Maynas,” Laura Frederick
- “Trip Report May 7 to 9 2003, CMAC/Maynas,” Laura Frederick
- “Tecnoferia High Level Design,” Laura Frederick

## **A3. Consortium Management**

Chemonics was active during the quarter ensuring that consultants received the appropriate logistical support and that assignments took place on schedule. Regular bi-weekly teleconferences were held between COPEME, USAID and Chemonics to ensure smooth implementation of the program; these sessions were held with even greater frequency during the weeks leading up directly to the Tecnoferia.

## **B. Technical Activities Planned for Next Quarter**

During the next quarter it is anticipated that Gonzalo Puente’s assignment assisting PRISMA will continue with his final scheduled visit; by the end of July, a decision will be reached whether or not to continue to support PRISMA with a new follow-on assignment for Gonzalo and/or an additional microfinance consultant. Laura Frederick will begin two new assignments: assisting Edpyme Nueva Visión in evaluating its existing information systems and recommending modifications, and assisting CMAC Tacna in selecting an MIS vendor product suitable to its needs. Raul Tapia will conduct an evaluation of the SAFI software for NGOs; Ms. Logan and Ms. Bordonaro have begun developing the terms of reference for Mr. Tapia’s assignment. Next quarter it is also anticipated that Ms. Frederick may continue to work with CMAC Maynas to select an ultimate design for its MIS software system and conclude negotiations. In addition, the quarter may include assignments to deliver trainings in credit scoring and governance.

### **C. Problems and Proposed Solutions**

With the exception of the decision-making difficulties encountered by CMAC Maynas and referenced above, no technical problems were encountered during the quarter.

On the programmatic side, Chemonics would like to confirm conversations with the CTO regarding expenditures to date. In June Chemonics and the CTO discussed the fact that expenditures to date (level of effort) are less than anticipated and are not keeping pace with the period of time elapsed to date. The contract has reached its two-thirds point of implementation (66.7% time elapsed), while expenditures to date are only 27% of the total budget. During these discussions the CTO confirmed his interest in pursuing a one year no-cost extension to the contract. We endorse our CTO's preference to pursue a no-cost extension in order to fully implement the scope of work. We recommend that USAID, COPEME and Chemonics work closely together to generate demand for services over the next quarter, and we are optimistic that short-term activities will pick up in the later half of the year.

## D. Level of Effort and Financial Summary

The following charts provide financial and level of effort summaries for the period of April 1 through June 30, 2003.

**Table 1. Peru IMPACT Project Budget**

LINE ITEM	TOTAL BUDGET	EXPENSES THIS QUARTER	CUMULATIVE EXPENSES	REMAINING BALANCE	NEXT QUARTER PROJECTIONS
Work Days Ordered	\$ 781,367	\$ 102,499	\$ 232,768	\$ 548,599	\$ 52,011
Total Materials	\$ 283,977	\$ 28,014	\$ 54,603	\$ 229,374	\$ 29,709
<b>TOTAL COSTS</b>	<b>\$ 1,065,344</b>	<b>\$ 130,513</b>	<b>\$ 287,370</b>	<b>\$ 777,974</b>	<b>\$ 81,719</b>
Percentage of contract invoiced through June 30, 2003:			26.97%		
Percentage of time elapsed through June 30, 2003:			66.67%		

**Table 2. Peru IMPACT Project Level of Effort**

Functional Labor Category	Days Budgeted	Days Committed	Days invoiced in quarter	Days invoiced to date	Days Remaining to invoice	Days Remaining in budget	Next Quarter Projections
Financial Analyst	513	292	83	220	72	221	35
Marketing Specialist	100	0	0	0	0	100	0
Attorney	58	0	0	0	0	58	0
Communications Specialist	36	4	4	4	0	32	0
Elect. Info. Magmt. Specialist	21	3	3	3	0	18	6
Accountant	8	0	0	0	0	8	0
TOTAL	736	299	90	227	72	437	41
Percentage of contract invoiced through June 30, 2003:				40.63%			
Percentage of time elapsed through June 30, 2003:				66.67%			

Please note that within the functional labor category for Financial Analyst, we have exceed the number of days originally budgeted for TCN Financial Analysts. However, as the above table indicates, we have plenty of remaining days for expatriate Financial Analysts, in both levels one and two. Accordingly we have not sought CTO approval to adjust the number of hours actually employed in the performance of the work by each position specified in this order because we interpret “position” to mean functional labor category without distinguishing between expatriate and TCN.

**Table 3. Peru IMPACT Project Level of Effort Summary**

LOE SUMMARY		
Days Budgeted	Days Committed	Days Remaining in Contract
736	299	437